



United States
General Accounting Office
Washington, D.C. 20548

150650

Accounting and Information
Management Division

B-247837

January 31, 1994

The Honorable Eleanor Holmes Norton
Chairwoman, Subcommittee on Judiciary
and Education
Committee on the District of Columbia
House of Representatives

Dear Delegate Norton:

This is in response to your September 9, 1993, letter requesting that we complete a review and assessment of the categories that may be considered for inclusion in the base for determining the federal payment to the District of Columbia pursuant to Public Law 102-102. In this regard, you asked that we analyze the report that the District's independent auditors, Coopers & Lybrand (C&L), submitted to the Mayor and the Council of the District of Columbia. The report contains the calculations of the District's Schedule of Local Revenues, as defined in Note 2 to the Schedule, for the fiscal year ending September 30, 1992 (see enclosure I).

Based on our review of the audit and report on the Schedule of Local Revenues of the District of Columbia for the fiscal year ended September 30, 1992, we concluded that the audit was conducted in accordance with generally accepted auditing standards.

According to the C&L report, the Schedule of Local Revenues was prepared to comply with provisions of Public Law 102-102 regarding the District's federal payment formula, specifically, locally generated revenue as described in Note 2 to the Schedule. However, because the definition of locally generated revenue described in Note 2 to the Schedule includes certain revenue from the federal government, it differs significantly from the definition in the law. As our prior reports have pointed

out, Public Law 102-102 excludes federal government revenue sources from the federal payment formula. Our reports have also stated that enterprise funds, other than the lottery, and nonappropriated charges for services and miscellaneous revenues were excluded from the computation of the authorization amount under the federal payment formula.

Your office also asked us whether the amounts of nonappropriated charges for services and miscellaneous revenues shown in the Schedule as local revenues contained any federal amounts. According to our analysis, (1) the \$45,024,000 in charges for services included \$3,222,000 in federal funds and (2) the miscellaneous amount of \$54,045,000 included \$782,000 in federal funds. Enclosure II lists the specific items comprising the federal funds. Our analysis also identified federal payments of \$8,675,000 included in the General Fund (see enclosure III).


The remaining nonappropriated charges for services (\$45,024,000 less \$3,222,000) include such charges as food sales at district public schools for children who do not qualify for free lunches, sales of vital records such as birth certificates, rents from district properties, and sales of correctional institution products, such as licenses, tags, and decals. The remaining nonappropriated miscellaneous charges (\$54,045,000 less \$782,000) include proceeds from recycling surcharge fees billed to solid waste haulers, sales of district properties, and third party medical insurance payments to Saint Elizabeth's hospital. These charges were excluded from the computation of the authorized amount under the federal payment formula. However, they are similar to other general fund revenues that have been included in the computation of the authorized amount.

Enclosure III shows the amounts presented in the C&L report adjusted to eliminate all federal and enterprise funds, except the lottery transfer, and includes local revenue from nonappropriated sources which has previously been excluded from the computation of the authorization amount under the federal payment formula.

B-247837

If you need any additional information or would like to discuss this matter further, please contact me at (202) 512-6100.

Sincerely yours,



Brian P. Crowley
Director of Planning
and Reporting

Enclosures

Coopers
& Lybrand

certified public accountants

Independent Auditors Report

To the Mayor and Council
of the District of Columbia

We have audited the accompanying Schedule of Local Revenues of the District of Columbia for the year ended September 30, 1992. This schedule is the responsibility of the District of Columbia's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Local Revenues was prepared for the purpose of complying with Public Law 102-102 related to the District of Columbia's Federal payment formula, specifically, locally-generated revenue as described in Note 2 to the Schedule, and is not intended to be a complete presentation of the District of Columbia's total revenues or results of operations.

In our opinion, the Schedule of Local Revenues referred to above presents fairly, in all material respects, the locally-generated revenue, as described in Note 2, of the District of Columbia for the fiscal year ended September 30, 1992, in conformity with generally accepted accounting principles.



Washington, D.C.
June 28, 1993

DISTRICT OF COLUMBIA
SCHEDULE OF LOCAL REVENUES
Fiscal Year Ended September 30, 1992
(000's)

Total District sources - General Fund		\$2,749,691
Plus transfers-in:		
Lottery		48,500
Water and Sewer		28,287
Starplex		584
Less:		
Charges for services - nonappropriated	\$(91,303)	
Amount representing local revenues	<u>45,024</u>	
		(46,279)
Miscellaneous - nonappropriated	(70,701)	
Amount representing local revenues	<u>54,045</u>	
		(16,656)
Add:		
Water and sewer services from the Federal Government		29,696
Enterprise funds non-operating revenues		<u>6,994</u>
Total local revenues		<u>\$2,800,817</u>
Twenty-four percent of net local revenues		<u>\$ 672,196</u>

The accompanying notes are an integral
part of this Schedule.

DISTRICT OF COLUMBIA
NOTES TO SCHEDULE OF LOCAL REVENUES

1. Schedule of Local Revenues

The Schedule of Local Revenues (Schedule) presents the District's locally-generated revenue (see Note 2) which excludes all federally-generated revenue (as defined in Note 2) components thereof. The Schedule was prepared in accordance with Public Law 102-102 as it amends Title V, "Federal Payment", of the District of Columbia Self-Governmental Reorganization Act.

2. Summary of significant accounting policies

Revenue Recognition

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (That is, when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one year availability period is used by the District for revenue recognition for all governmental fund revenues with the exception of property taxes in which case a period of 60 days after year end is used.

Those revenues susceptible to accrual are property taxes, sales and use taxes, income and franchise taxes, gross receipts taxes and interest revenue. Property taxes are recognized as revenue in the tax year for which they are levied, provided they are available. Sales and use taxes are recognized as revenue when the sales or use take place.

Licenses and permits, fines and forfeits, charges for services, and other taxes are not susceptible to accrual because generally they are not measurable until received in cash.

Continued

DISTRICT OF COLUMBIA
NOTES TO SCHEDULE OF LOCAL REVENUES

Locally-generated revenues

Any revenues generated by the District of Columbia through General Fund activities for goods or services provided to any and all consumers, whether private or public (including the federal government), in a transaction that constitutes a valid commercial exchange for due consideration, and that would be subject to all the covenants of the Uniform Commercial Code of business law, are to be considered revenues generated by the District of Columbia with all rights and privileges to use the revenues in the matter prescribed by the District of Columbia Self-Government and Governmental Reorganization Act. Other net revenues from operations and non-operating sources, such as interest income, or other fund activities of the District are also to be considered locally-generated revenues to the extent net revenues are available and are not restricted as to their use.

Federal source revenues

Revenues received from the federal government for grants or programs provided through federal appropriations legislation for activities which derive benefit to the citizenry of the District of Columbia are to be considered federal source revenues as compensation for revenue deficiencies in the District's tax base resulting from federally imposed limitations on the District's ability to raise revenue.

3. Public Law 102-102

Public Law 102-102 was enacted on August 17, 1991 to amend Title V, "Federal Payment", of the District of Columbia Self-Government and Governmental Reorganization Act by adding, among other items, the formula for calculating the balance of locally-generated revenues (Note 2) upon which an amount equal to 24 percent will be remitted to the District as the Federal Payment.

The Federal Payment calculation was enacted to assist the District in compensating for revenue shortages resulting from the unreimbursed services provided by the District to the Federal Government and the significant deficiencies in the District's tax base resulting from federally imposed limitations on the District's ability to raise revenue.

Enclosure II

Enclosure II

DISTRICT OF COLUMBIA
DEDUCTIONS FROM GENERAL FUND REVENUE FOR
FISCAL YEAR ENDED SEPTEMBER 30, 1992
(Dollars in thousands)

<u>Federal Payments</u>	<u>Amount</u>
Charges for Services	
Rental income on District-owned real properties	\$ 19
Data processing services for Capitol Police	160
Fingerprint services for the FBI	86
Sale of correctional institution products	1,771
Educational instruction to the Capitol Page School	195
Pension services provided for the U.S. Park Police and Secret Service	27
Reimbursement for Capitol Police detail, drug enforcement, and White House clinic services	655
ROTC training provided to District public school students on behalf of U.S. Armed Forces	205
Reimbursement for maintenance costs of mall tunnels	104
Total charges for services	<u>\$ 3,222</u>
Miscellaneous charges	
Inspection site fees of Pennsylvania Avenue Development Corporation and Washington METRO	<u>\$ 782</u>
Total miscellaneous charges	<u>\$ 782</u>

ENCLOSURE III

ENCLOSURE III

DISTRICT OF COLUMBIA
SCHEDULE OF LOCAL REVENUES FOR
FISCAL YEAR ENDED SEPTEMBER 30, 1992

(Dollars in thousands)

	C&L report of	<u>Adjustments</u>		<u>Adjusted total</u>
	<u>June 28, 1993</u>	<u>Federal</u>	<u>Enterprise</u>	
Total District sources--General Fund	\$2,749,691	(\$ 8,675)		\$2,741,016
Transfers in:				
Lottery	48,500			48,500
Water and Sewer	28,287		(\$28,287)	
Starplex	584		(584)	
Less:				
Charges for services--nonappropriated	\$(91,303)			
Amount representing local revenues	<u>45,024</u>	(46,279)	(3,222)	(49,501)
Miscellaneous--nonappropriated	(70,701)			
Amount representing local revenues	<u>54,045</u>	(16,656)	(782)	(17,438)
Add:				
Water and sewer services from the federal government	29,696	(29,696)		
Enterprise funds nonoperating revenues	<u>6,994</u>		(6,994)	
Total local revenues	<u>\$2,800,817</u>	<u>(\$42,375)</u>	<u>(\$35,865)</u>	<u>\$2,722,577</u>
24 percent of local revenues	<u>\$ 672,196</u>			<u>\$ 653,418</u>